

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2009



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# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2008 Election)		
Douglas Rothfus	President	2008
Leann Goldsmith	Vice President	2008
Kathie Hicok	Board Member	2008
Scott Brown	Board Member	2009
Del Gustafson	Board Member	2009
David Eilers	Board Member	2010
Angela Glasgow	Board Member	2010

## **Board of Education** (After September, 2008 Election)

Douglas Rothfus	President	2011
David Eilers	Vice President	2009 *
Scott Brown	Board Member	2009
Del Gustafson	Board Member	2009
Angela Glasgow	Board Member	2011 *
Kathie Hicok	Board Member	2011
Ronnie Wiedman	Board Member	2011

## **School Officials**

Gary Sinclair	Superintendent	2009
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2009
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite

\* Board term adjusted per the district's transition plan for changing Board terms from three to four years in accordance with Chapter 39.24 of the Code of Iowa.



### Independent Auditor's Report

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

September 30, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This is the fifth year since implementing new reporting standards with significant changes in content and structure, and some of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data since the FY 2004 transition year.

### Financial Highlights

- ◆ General Fund revenues increased from \$14,034,295 in fiscal 2008 to \$15,994,292, while General Fund expenditures increased from \$13,787,081 in fiscal 2008 to \$15,767,700 in fiscal 2008. This resulted in a increase of \$226,592 in the District's General Fund balance from \$2,250,204 in fiscal 2008 to \$2,476,796 in fiscal 2009.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in open receipts of state aid of \$867,693 attributable to increased student count and allowable growth and property tax increase of \$638,126. Federal funding increased by \$298,536 attributable to American Recovery and Reinvestment Act (ARRA).
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. There were 4.46 teaching positions added due to increased student count which also affect the salary and benefit expenditures. As student numbers increase, instructional supply expenditures increased as well.
- ◆ A decline in interest rates during the past five fiscal years has resulted in a decline in interest received annually despite a growing fund balance to be invested. Rates have fallen to a point where FY09 saw less in interest earnings that the previous years. Interest received in the general fund for the past three years is: \$109,147 in FY06, and \$131,702 in FY07, 106,117 in FY08 and \$40,182 in FY09.

### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explains how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this report are arranged and relate to one another.

**Figure A-1 DC-G Community School District Annual Financial Report**

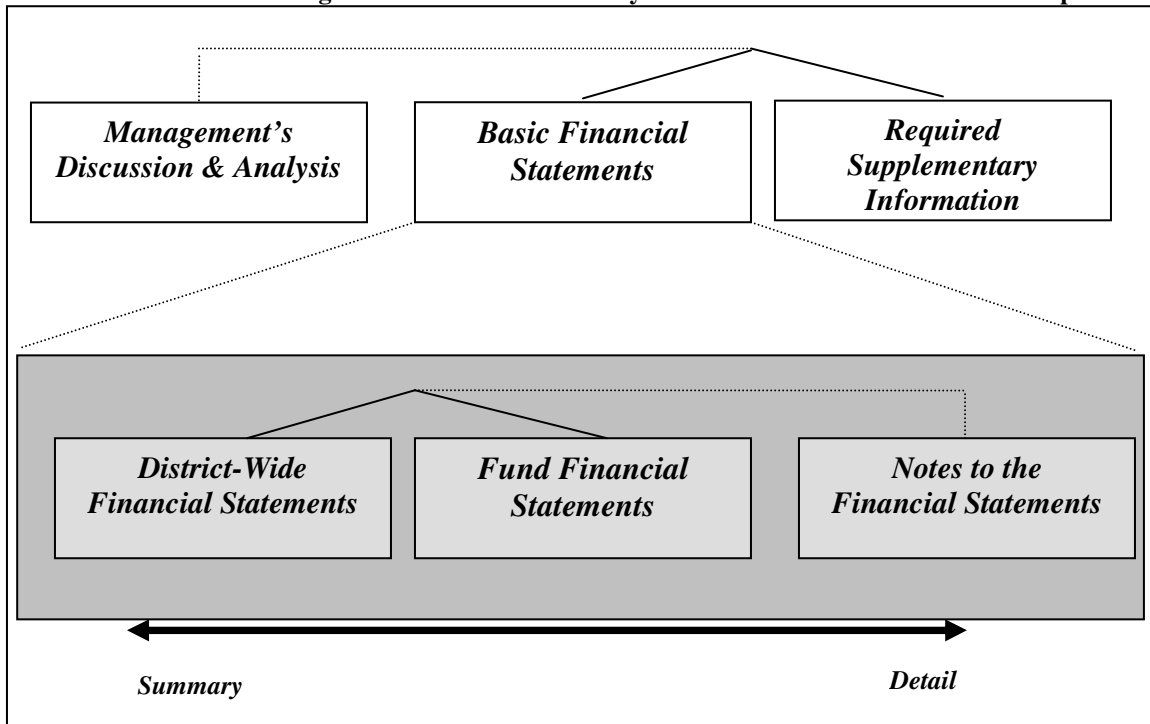




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Bowersox Scholarship

## District-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Year	Taxable Valuation without TIF	Increase over previous year	Percent of increase
FY2001	270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.92%
FY2005	383,341,568	21,921,372	5.71%
FY2006	418,254,246	34,912,678	8.34%
FY2007	453,208,099	34,953,853	7.71%
FY2008	495,093,032	41,884,933	8.46%
FY2009	550,887,628	55,794,569	11.27%

Dallas Center – Grimes Facilities – Age	
Dallas Center – Grimes South Prairie Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005
Dallas Center – Grimes Sports Complex, Grimes	Final phase complete 9-1-2008
Dallas Center – Grimes North Ridge Elementary, Grimes	Opened 8-1-2008

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.



The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, and PPEL fund.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.



The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.

- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.



Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently four scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship and Bowersox Scholarship funds.



Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2009 compared to 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 15,216	13,785	101	117	15,317	13,902	10.2%
Capital assets	36,468	36,107	282	295	36,750	36,402	1.0%
Total assets	51,684	49,892	383	412	52,067	50,304	3.5%
Long-term liabilities	23,105	24,785	-	-	23,105	24,785	-6.8%
Other liabilities	10,306	9,025	18	-	10,324	9,025	14.4%
Total liabilities	33,411	33,810	18	-	33,429	33,810	-1.1%
Net assets:							
Invested in capital assets, net of related debt	14,227	12,152	282	295	14,509	12,447	16.6%
Restricted	1,928	1,985	-	-	1,928	1,985	-2.9%
Unrestricted	2,118	1,945	83	117	2,201	2,062	6.7%
Total net assets	\$ 18,273	16,082	365	412	18,638	16,494	13.0%

The increase in the percentage of current and other assets are primarily due to restricted spending in FY09 in preparation of budget constraints expected in FY10. Capital assets increased only slightly as there was no new construction completed in FY09. Long-term liabilities decreased as a result of payments made and refinancing of bond liabilities.

Figure A-4 shows the change in net assets for the year ended June 30, 2009.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>						
	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	\$ 1,757	1,389	734	678	2,491	2,067
Operating grants, contributions and restricted interest	2,317	1,689	235	175	2,552	1,864
General revenues:						
Property tax	8,922	8,243	-	-	8,922	8,243
Local option sales and service tax	1,698	1,583	-	-	1,698	1,583
Unrestricted state grants	6,333	5,826	-	-	6,333	5,826
Unrestricted investment earnings	60	340	2	3	62	343
Other	282	137	-	-	282	137
Total revenues	<u>21,369</u>	<u>19,207</u>	<u>971</u>	<u>856</u>	<u>22,340</u>	<u>20,063</u>
Program expenses:						
Governmental activities:						
Instruction	12,009	10,316	-	-	12,009	10,316
Support services	5,200	5,022	-	-	5,200	5,022
Non-instructional programs	-	-	1,018	835	1,018	835
Other expenses	1,969	2,300	-	-	1,969	2,300
Total expenses	<u>19,178</u>	<u>17,638</u>	<u>1,018</u>	<u>835</u>	<u>20,196</u>	<u>18,473</u>
Other financing sources, net	-	-	-	112	-	112
Change in net assets	<u>\$ 2,191</u>	<u>1,569</u>	<u>(47)</u>	<u>133</u>	<u>2,144</u>	<u>1,702</u>

Property tax, sales and service tax, and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$21,369,129 and expenses were \$19,177,902.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 12,009	8,556
Support services	5,200	5,182
Other expenses	<u>1,969</u>	<u>1,366</u>
Totals	<u>\$ 19,178</u>	<u>15,104</u>



The cost financed by users of the District's programs was \$1,757,366.



Federal and state government subsidized certain programs with grants and contributions totaling \$2,316,673.



The net cost of governmental activities was financed with \$10,619,714 in property and other taxes and \$6,332,528 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$970,539 and expenses were \$1,017,429. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District did increase meal prices by ten cents per meal. The District continues to contract food services with Taher, Incorporated of Minnesota.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,944,190. The previous year, governmental funds reported a combined fund balance of \$4,765,974.

### **Governmental Fund Highlights**



The district general fund balance increased slightly in FY09. The general fund undesignated, unreserved fund balance increased from \$2,024,736 in FY08 to \$2,378,578 in FY09. The district's goal was to maintain a steady fund balance in the general fund. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 14.8%.



DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the district's ability to maintain a constant property tax rate.



Over the past six years the net impact of open enrollment has been very positive for DC-G. There is net \$727,298 more available for funding programs within our district.



In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the district elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The district voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009.



The district has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, and has allowed the regular operating budget to absorb other increases.



The district's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant fund balance. However with economic downturn, a conscious decision to reserve a portion of the 2008-09 general fund revenue for use in 2009-10 was made to lessen the impact of likely state revenue shortfalls.



The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$783,632 at the end of FY08 to \$831,202 at the end of FY09. Funds were spent primarily on school bus purchases, carpet replacement, and other district repairs and maintenance.



The Capital Projects funds increased from \$508,939 at the end of FY08 to \$518,930 at the end of FY09.



The Management fund balance decreased from \$341,426 at FY08 year end to \$305,582 at June 30, 2009. The district continues to rebuild the fund balance of the management fund which was depleted in FY00 when no funds were levied and the fund balance was diminished. The fund balance is held in reserve in part due to high deductible option selected with our worker's compensation insurance.

### Proprietary Fund Highlights

School Nutrition cash/investments and inventories decreased from \$112,299 at June 30, 2008 to \$90,080 at June 30, 2009. The Farm account cash/investments increased from \$4,530 at the close of FY08 to \$10,716 at FY09.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were needed in each of the four areas, primarily due to unexpected American Reinvestment and Recovery Act revenues received after the budget for 2008-09 was certified.

The District's receipts were \$398,623 higher than budgeted receipts, a variance of approximately 2%.

It is the district's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2009, the District had invested \$36.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,186,962.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 1,994	1,755	-	-	1,994	1,755	13.6%
Construction in progress	-	7,326	-	-	-	7,326	-100.0%
Buildings	32,504	25,036	-	-	32,504	25,036	29.8%
Improvements other than buildings	769	921	-	-	769	921	-16.5%
Furniture and equipment	1,201	1,069	282	295	1,483	1,364	8.7%
Totals	\$ 36,468	36,107	282	295	36,750	36,402	1.0%

## Long Term Debt

At June 30, 2009, the District has \$23,105,150 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 7% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 22,105	23,050	-4.1%
Revenue bonds	155	759	-79.6%
Capital loan notes	500	655	
Early retirement	345	321	7.5%
Totals	\$ 23,105	24,785	-6.8%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, purchase of Meadows land & build/furnish high school on Meadows land 1.26 million bond sold to begin construction and make land purchases	(Levy A only) Pass Levy B - Fail
November 23, 1999	Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the \$9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue \$6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction and furnishing a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of voter-approved PPEL Levy not to exceed \$1.34/\$1,000	Pass
September 9, 2008	Revenue purpose statement SAVE/LOSST fund	Pass



## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:



The district continues to experience enrollment growth. The district's population is currently estimated at 7,080 which is approximately 6% growth over the 2000 census, and over 70% growth since the 1990 census. The 2010 census is expected to increase over the latest figures.



Despite the current rate of enrollment growth, a bond issue for additional facilities has been delayed due to the condition of the economy. If growth continues, new facilities will be needed and a bond issue will need to be placed upon the ballot.



Although we are unsure of unemployment numbers for the area, we have had several reports of layoffs in the community and in areas our community members' work.



The largest home builder in the district, Regency Homes, Incorporated, has dissolved business. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities. The district continues to monitor growth of residential housing by monitoring the number of building permits granted.



Recent downturn of the economy and discussion at the state level regarding across-the-board cuts and/or a reduction in allowable growth will play an important factor in meeting the needs of our growing district. Although the district has a healthy unspent balance and cash reserve, these funds could quickly be depleted.



In September 2008, the district approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.



In the fall of 2008, the district established a community wide facility committee. Although this committee was established for future facility needs, it needs to be used for planning in the expected funding reduction in LOSST. This committee made its final recommendation to the Board in July 2009 recommending a new building project to begin as soon as possible. Due to economic conditions, the Board has delayed any action on this recommendation.



The district currently has three sources that can be used to build and maintain buildings. Bonding capacity is about \$15,000,000, the district has Board and voter approved PPEL allowed to be as high as \$1.67 per thousand, and the districts current county LOSST that will transfer to the state-wide plan as each expire. Due to current economic conditions, the district will need to be very careful how these funds are used and what is requested from patrons in the form of a bond issue. The district will attempt to use LOSST funds for ongoing repair and maintenance of facilities rather than additional bonding of these revenue based funds.



Along with growth, transportation needs to transport students to school locations continues to grow. The district has purchased two new buses during the last year, and two used buses. The district will need to maintain a level of at least two bus purchases in the future which has been included in the district ten-year PPEL planning.



The district has a limited transportation facility at this time, and with a growing fleet the need for a central location to store and perform maintenance on the fleet increases. Land was purchased at the edge of Grimes for this future purpose. The District will need to locate central storage and warehousing, and it may be feasible to combine a bus storage and maintenance facility with central warehousing at this location. Although the land was purchased in 2008-09 using LOSST funds, the project will not begin until some time in the future, likely using PPEL funding.



Fiscal 2009 was the first year of a three-year contract with the Dallas Center-Grimes Education Association. The Board is working to increase teachers' salaries to be more comparable to the metro area, giving teachers 65% of new money for the 2008-09 school year. Future increases are tied to the allowable growth set by the state, which allows for a positive situation for the district. If needed, staff increases can be limited to lane, step, and insurance increases.



For the district's most recent bond, the bond rating was issued by Moody's Investing Service for the third time. The rating is A3.



Over the past several years, the district net open enrollment in and out number has improved dramatically. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment. The district needs to continue to foster open enrollment to the extent that facilities allow.



In the January 1, 2009 assessment of District taxable valuation, property values increased by 11.27%. Although the District has seen valuation increases of greater than 14% in previous years, a five-year rolling average is being used to plan for growth when projecting ability to bond in the future. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.



Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.



The district has grown an average of 35 students per year for the past ten years. The district experienced record growth in the 2007-08 school year increasing by 128 students. The growth recorded in September 2008 was 63 students and in September 2009 53 students. Although this level of growth is not planned for the future, it is prudent for the district to plan for growth of 50 to 75 students per year.



To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. This development may have an impact upon the enrollment of the District. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.



The district currently has a LOSST from Dallas and Polk Counties. How these two sales tax sources blend, depending on the impact one has on the other, will impact LOSST dollars available for facility needs. The statewide SAVE plan passed in the 2009 Legislative session will help address some property tax equalization statewide, it will not provide any property tax relief for DC-G. Once Polk and Dallas county revenues roll into the statewide pool, DC-G will likely see reduced funding from the SAVE / LOSST fund.



Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as district facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.



The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in this rate of growth will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.



Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.



Energy costs continue to be an increasing portion of the district's budget. The district has undertaken and completed a \$800,000 project over a three-year period to upgrade mechanical and electrical systems. Most of the elements of this project are energy conservation related, which should help lower energy cost in the future. This project is being funded by a five-year PPEL bond and annual revenue.



Funding from the State of Iowa in FY10 has been cut by nearly one million dollars through December 31, 2009 and indications are that FY11 may experience nearly that level or more. The district has taken positive steps to counterbalance such situations by using a variety of financial tools and extensive financial planning models for the future. These tools such as under spending FY09 revenues, an enhanced early retirement model in FY10, adjustments in fund rates, use and increased cash reserve, and prudent fiscal management will assist the district in managing such shortfalls from the state.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

## **Basic Financial Statements**

**DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments			
Other	\$ 4,492,649	78,510	4,571,159
Receivables:			
Property tax:			
Delinquent	96,462	-	96,462
Succeeding year	9,736,392	-	9,736,392
Accounts	5,406	-	5,406
Due from other funds	100	-	100
Due from other governments	228,960	-	228,960
Inventories	-	22,330	22,330
Deferred bond costs	656,333	-	656,333
Capital assets, net of accumulated depreciation	36,468,049	282,140	36,750,189
<b>Total assets</b>	<b>51,684,351</b>	<b>382,980</b>	<b>52,067,331</b>
<b>Liabilities</b>			
Accounts payable	184,484	18,325	202,809
Salaries and benefits payable	266,791	-	266,791
Due to other funds	-	100	100
Accrued interest payable	118,718	-	118,718
Unearned revenue:			
Succeeding year property tax	9,736,392	-	9,736,392
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	970,000	-	970,000
Revenue bonds payable	155,301	-	155,301
Capital loan note payable	160,000	-	160,000
Early retirement	84,445	-	84,445
Portion due after one year:			
General obligation bonds payable	21,135,000	-	21,135,000
Capital loan note payable	340,000	-	340,000
Early retirement	260,404	-	260,404
<b>Total liabilities</b>	<b>33,411,535</b>	<b>18,425</b>	<b>33,429,960</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	14,226,678	282,140	14,508,818
Restricted for:			
Management levy	305,582	-	305,582
Physical plant and equipment levy	831,202	-	831,202
Debt service	576,834	-	576,834
Other special revenue purposes	116,128	-	116,128
Categorical funding	98,218	-	98,218
Unrestricted	2,118,174	82,415	2,061,049
<b>Total net assets</b>	<b>\$ 18,272,816</b>	<b>364,555</b>	<b>18,637,371</b>

See notes to financial statements.

## Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2009

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 7,416,343	1,107,746	1,334,252
Special instruction	2,559,633	118,182	308,467
Other instruction	2,032,569	531,438	53,064
	<u>12,008,545</u>	<u>1,757,366</u>	<u>1,695,783</u>
Support Services:			
Student	283,475	-	-
Instructional staff	724,872	-	-
Administration	1,631,623	-	-
Operating and maintenance of plant	1,904,646	-	-
Transportation	655,677	-	17,932
	<u>5,200,293</u>	<u>-</u>	<u>17,932</u>
Other expenditures:			
Facilities acquisition	313,360	-	-
Long-term debt interest	1,052,746	-	-
AEA flowthrough	602,958	-	602,958
	<u>1,969,064</u>	<u>-</u>	<u>602,958</u>
Total governmental activities	19,177,902	1,757,366	2,316,673
Business type activities:			
Non-instructional programs:			
Food service operations	1,012,843	723,056	235,102
Student construction	100	-	-
Farm account	4,486	10,716	-
	<u>1,017,429</u>	<u>733,772</u>	<u>235,102</u>
Total primary government	<u>\$ 20,195,331</u>	<u>2,491,138</u>	<u>2,551,775</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(4,974,345)	-	(4,974,345)
(2,132,984)	-	(2,132,984)
(1,448,067)	-	(1,448,067)
(8,555,396)	-	(8,555,396)
(283,475)	-	(283,475)
(724,872)	-	(724,872)
(1,631,623)	-	(1,631,623)
(1,904,646)	-	(1,904,646)
(637,745)	-	(637,745)
(5,182,361)	-	(5,182,361)
(313,360)	-	(313,360)
(1,052,746)	-	(1,052,746)
-	-	-
(1,366,106)	-	(1,366,106)
(15,103,863)	-	(15,103,863)
-	(54,685)	(54,685)
-	(100)	(100)
-	6,230	6,230
-	(48,555)	(48,555)
(15,103,863)	(48,555)	(15,152,418)

Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2009

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Totals from previous page</b>	<b>\$ 20,195,331</b>	<b>2,491,138</b>	<b>2,551,775</b>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Contributions not restricted to specific programs			
 Total general revenues and capital contributions			
 Change in net assets			
 Net assets beginning of year			
 Net assets end of year			

See notes to financial statements.



Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(15,103,863)	(48,555)	(15,152,418)
6,305,979	-	6,305,979
1,871,027	-	1,871,027
745,175	-	745,175
1,697,533	-	1,697,533
6,332,528	-	6,332,528
60,495	1,665	62,160
106,314	-	106,314
176,039	-	176,039
17,295,090	1,665	17,296,755
2,191,227	(46,890)	2,144,337
16,081,589	411,445	16,493,034
\$ 18,272,816	364,555	18,637,371

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Non-major Governmental	Total
<b>Assets and Other Debits</b>						
Cash and pooled investments						
Other	\$ 2,723,028	17,854	403,858	836,809	511,100	4,492,649
Receivables:						
Property tax:						
Current year delinquent	63,259	21,365	-	8,122	3,716	96,462
Succeeding year	6,862,873	1,868,546	-	634,973	370,000	9,736,392
Accounts	4,804	-	-	-	602	5,406
Due from other funds	-	-	-	-	100	100
Due from other governments	113,888	-	115,072	-	-	228,960
Deferred bond costs	-	656,333	-	-	-	656,333
<b>Total assets and other debits</b>	<b>\$ 9,767,852</b>	<b>2,564,098</b>	<b>518,930</b>	<b>1,479,904</b>	<b>885,518</b>	<b>15,216,302</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 161,392	-	-	13,729	9,363	184,484
Salaries and benefits payable	266,791	-	-	-	-	266,791
Early retirement payable	-	-	-	-	84,445	84,445
Deferred revenue:						
Succeeding year property tax	6,862,873	1,868,546	-	634,973	370,000	9,736,392
<b>Total liabilities</b>	<b>7,291,056</b>	<b>1,868,546</b>	<b>-</b>	<b>648,702</b>	<b>463,808</b>	<b>10,272,112</b>
Fund balances:						
Reserved for:						
Debt service	-	695,552	-	-	-	695,552
Categorical funding	98,218	-	-	-	-	98,218
Unreserved:						
Undesignated	2,378,578	-	518,930	831,202	421,710	4,150,420
<b>Total fund balances</b>	<b>2,476,796</b>	<b>695,552</b>	<b>518,930</b>	<b>831,202</b>	<b>421,710</b>	<b>4,944,190</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,767,852</b>	<b>2,564,098</b>	<b>518,930</b>	<b>1,479,904</b>	<b>885,518</b>	<b>15,216,302</b>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2009

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 4,944,190
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	36,468,049
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(118,718)
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Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(23,020,705)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 18,272,816</u></u>
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See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended June 30, 2009

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Non-major Governmental	Total
Revenues:						
Local sources:						
Local tax	\$ 5,956,078	1,871,027	1,697,533	745,175	349,901	10,619,714
Tuition	1,012,133	-	-	-	-	1,012,133
Other	375,579	2,476	21,078	150,695	536,288	1,086,116
State sources	8,078,178	429	-	159	76	8,078,842
Federal sources	572,324	-	-	-	-	572,324
Total revenues	15,994,292	1,873,932	1,718,611	896,029	886,265	21,369,129
Expenditures:						
Current:						
Instruction:						
Regular	6,973,139	-	-	-	115,339	7,088,478
Special	2,553,384	-	-	-	-	2,553,384
Other	854,632	-	-	-	548,671	1,403,303
	10,381,155	-	-	-	664,010	11,045,165
Support services:						
Student	280,913	-	-	-	-	280,913
Instructional staff	625,916	-	-	-	-	625,916
Administration	1,546,404	-	-	28,371	-	1,574,775
Operation and maintenance of plant	1,630,768	-	-	27,144	248,683	1,906,595
Transportation	699,586	-	-	12,815	21,815	734,216
	4,783,587	-	-	68,330	270,498	5,122,415
Other expenditures:						
Facilities acquisition	-	-	1,086,164	599,306	-	1,685,470
Long-term debt:						
Principal	-	1,703,506	-	-	-	1,703,506
Interest and fiscal charges	-	971,732	-	-	-	971,732
Bond issuance costs	-	59,667	-	-	-	59,667
AEA flowthrough	602,958	-	-	-	-	602,958
	602,958	2,734,905	1,086,164	599,306	-	5,023,333
Total expenditures	15,767,700	2,734,905	1,086,164	667,636	934,508	21,190,913
Excess (deficiency) of revenues over (under) expenditures	226,592	(860,973)	632,447	228,393	(48,243)	178,216
Other financing sources (uses):						
Interfund transfer	-	803,279	(622,456)	(180,823)	-	-
Total other financing sources (uses)	-	803,279	(622,456)	(180,823)	-	-
Net change in fund balances	226,592	(57,694)	9,991	47,570	(48,243)	178,216
Fund balances beginning of year	2,250,204	753,246	508,939	783,632	469,953	4,765,974
Fund balances end of year	\$ 2,476,796	695,552	518,930	831,202	421,710	4,944,190

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 178,216

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,547,714	
Depreciation expense	<u>(1,186,962)</u>	360,752

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

1,703,506

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(21,347)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement

(29,900)

**Change in net assets of governmental activities (Exhibit B)**

\$ 2,191,227

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	<u>Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 78,510
Inventories	22,330
Capital assets, net of accumulated depreciation	<u>282,140</u>
<b>Total assets</b>	<u>382,980</u>
<b>Liabilities</b>	
Accounts payable	18,325
Due to other funds	<u>100</u>
<b>Total liabilities</b>	<u>18,425</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	282,140
Unrestricted	<u>82,415</u>
<b>Total net assets</b>	<u><u>\$ 364,555</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2009

	<u>Enterprise Funds</u>
Operating revenues:	
Local sources	
Operating revenues	<u>\$ 733,772</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	1,027
Supplies	<u>3,559</u>
	4,586
Non-instructional programs:	
Food service operations:	
Salaries and benefits	40,639
Benefits	12,605
Services	643,065
Supplies	276,421
Depreciation	<u>40,113</u>
	1,012,843
Total operating expenses	<u>1,017,429</u>
Operating loss	<u>(283,657)</u>
Non-operating revenues:	
State sources	9,365
Federal sources	225,737
Local sources	<u>1,665</u>
Total non-operating revenues	<u>236,767</u>
Changes in net assets	(46,890)
Net assets beginning of year	<u>411,445</u>
Net assets end of year	<u><u>\$ 364,555</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2009

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 714,594
Cash received from miscellaneous operating activities	19,178
Cash payments to employees for services	(53,244)
Cash payments to suppliers for goods or services	(844,569)
Net cash used by operating activities	<u>(164,041)</u>
Cash flows from non-capital financing activities:	
State grants received	9,365
Federal grants received	159,327
Net cash provided by non-capital financing activities	<u>168,692</u>
Cash flows from capital and related financing activities:	
Interfund loan	100
Acquisition of capital assets	(27,625)
Net cash used by capital and related financing activities	<u>(27,525)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,665</u>
Net decrease in cash and cash equivalents	(21,209)
Cash and cash equivalents at beginning of year	<u>99,719</u>
Cash and cash equivalents at end of year	<u>\$ 78,510</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (283,657)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	66,410
Depreciation	40,113
(Increase) in inventories	(5,220)
Increase in accounts payable	18,313
Net cash used by operating activities	<u>\$ (164,041)</u>
<b>Reconciliation of cash and cash equivalents at year end to</b>	
<b>specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 78,510
Cash and cash equivalents at year end	<u>\$ 78,510</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$66,410.

See notes to financial statements.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 148,028	9,355
<b>Total assets</b>	148,028	9,355
<b>Liabilities</b>		
Accounts payable	-	9,355
<b>Total liabilities</b>	-	9,355
<b>Net assets</b>		
Reserved for scholarships	148,028	-
<b>Total net assets</b>	\$ 148,028	-

See notes to financial statements.

Exhibit K

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended June 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 58,845
Interest income	1,332
Total additions	<u>60,177</u>
Deductions:	
Support services:	
Scholarships awarded	<u>33,250</u>
Change in net assets	26,927
Net assets beginning of year	<u>121,101</u>
Net assets end of year	<u><u>\$ 148,028</u></u>

See notes to financial statements.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

### (1) Summary of Significant Accounting Policies

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Diversified Portfolio	\$2,413,514
-----------------------	-------------

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 622,456
Debt service	PPEL	180,823
		<u>\$ 803,279</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,755,017	238,812	-	1,993,829
Construction in progress	7,326,256	843,856	8,170,112	-
Total capital assets not being depreciated	9,081,273	1,082,668	8,170,112	1,993,829
Capital assets being depreciated:				
Buildings	30,383,555	8,170,112	-	38,553,667
Improvements other than buildings	1,436,448	-	-	1,436,448
Furniture and equipment	3,164,314	465,046	-	3,629,360
Total capital assets being depreciated	34,984,317	8,635,158	-	43,619,475
Less accumulated depreciation for:				
Buildings	5,347,164	701,954	-	6,049,118
Improvements other than buildings	515,696	152,116	-	667,812
Furniture and equipment	2,095,433	332,892	-	2,428,325
Total accumulated depreciation	7,958,293	1,186,962	-	9,145,255
Total capital assets being depreciated, net	27,026,024	7,448,196	-	34,474,220
Governmental activities capital assets, net	\$ 36,107,297	8,530,864	8,170,112	36,468,049
<b>Business type activities:</b>				
Furniture and equipment	\$ 453,732	27,625	-	481,357
Less accumulated depreciation	159,104	40,113	-	199,217
Business type activities capital assets, net	\$ 294,628	(12,488)	-	282,140
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 297,965
Special				6,249
Other				629,266
Support services:				
Student support				2,562
Instructional staff				98,956
Administration				56,848
Operation and maintenance of plant				12,447
Transportation				82,669
				1,186,962
Unallocated depreciation				-
Total governmental activities depreciation expense				\$ 1,186,962
Business type activities:				
Food services				\$ 40,113

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Refunded	Balance End of Year	Due Within One Year
General obligation bonds	\$ 23,050,000	-	945,000	-	22,105,000	970,000
Revenue bonds	758,807	-	603,506	-	155,301	155,301
Capital loan note	655,000	-	155,000	-	500,000	160,000
Early retirement	320,652	114,345	90,148	-	344,849	84,445
Total	\$ 24,784,459	114,345	1,793,654	-	23,105,150	1,369,746

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004		
	Interest Rate %	Principal	Interest	Interest Rate %	Principal	Interest
2010	5.00	\$ 210,000	246,232	3.75	10,000	142,168
2011	5.00	230,000	235,732	4.10	10,000	141,792
2012	5.00	240,000	224,232	4.25	10,000	141,383
2013	4.00	250,000	212,232	4.25	10,000	140,957
2014	3.70	260,000	202,232	4.30	10,000	140,533
2015	3.85	275,000	192,612	4.30	10,000	140,102
2016	4.00	285,000	182,025	4.30	10,000	139,673
2017	4.10	305,000	170,625	4.40	10,000	139,242
2018	4.15	315,000	158,120	4.45	10,000	138,803
2019	4.25	325,000	145,047	4.50	10,000	138,357
2020	4.30	345,000	131,235	4.55	10,000	137,908
2021	4.40	1,275,000	116,400	4.65	10,000	137,452
2022	4.50	1,340,000	60,300	4.75	5,000	136,988
2023	-	-	-	5.00	1,335,000	136,750
2024	-	-	-	5.00	1,400,000	70,000
		\$ 5,655,000	2,277,024		2,860,000	2,022,108

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of April 1, 2005			Bond Issue of June 1, 2006		
	Interest Rate %	Principal	Interest	Interest Rate %	Principal	Interest
2010	2.90	\$ 590,000	261,335	3.900	160,000	247,610
2011	3.00	600,000	244,225	3.900	165,000	241,370
2012	3.10	620,000	226,225	3.900	175,000	234,935
2013	3.20	640,000	207,005	3.900	180,000	228,110
2014	3.30	665,000	186,525	3.900	185,000	221,090
2015	3.40	680,000	164,580	3.950	195,000	213,875
2016	3.50	700,000	141,460	4.000	205,000	206,173
2017	3.60	735,000	116,960	4.050	195,000	197,972
2018	3.70	765,000	90,500	4.100	200,000	190,075
2019	3.80	790,000	62,195	4.100	215,000	181,875
2020	3.90	825,000	32,175	4.125	220,000	173,060
2021	-	-	-	4.150	90,000	163,985
2022	-	-	-	4.200	90,000	160,250
2023	-	-	-	4.200	165,000	156,470
2024	-	-	-	4.200	170,000	149,540
2025	-	-	-	4.200	1,650,000	142,400
2026	-	-	-	4.250	1,720,000	73,100
		<u>\$ 7,610,000</u>	<u>1,733,185</u>		<u>5,980,000</u>	<u>3,181,890</u>

Year ending June 30,	Total		
	Principal	Interest	Total
2010	\$ 970,000	897,345	1,867,345
2011	1,005,000	863,119	1,868,119
2012	1,045,000	826,775	1,871,775
2013	1,080,000	788,304	1,868,304
2014	1,120,000	750,380	1,870,380
2015	1,160,000	711,169	1,871,169
2016	1,200,000	669,331	1,869,331
2017	1,245,000	624,799	1,869,799
2018	1,290,000	577,498	1,867,498
2019	1,340,000	527,474	1,867,474
2020	1,400,000	474,378	1,874,378
2021	1,375,000	417,837	1,792,837
2022	1,435,000	357,538	1,792,538
2023	1,500,000	293,220	1,793,220
2024	1,570,000	219,540	1,789,540
2025	1,650,000	142,400	1,792,400
2026	1,720,000	73,100	1,793,100
	<u>\$ 22,105,000</u>	<u>9,214,207</u>	<u>31,319,207</u>

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

### Revenue Bonds Payable

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Year ending June 30,	Interest Rate %	Bond Issue of June 12, 2007		
		Principal	Interest	Total
2010	4.07	\$ 155,301	3,144	158,445
		\$ 155,301	3,144	158,445

The District has pledged future local option (statewide) sales and service tax revenues to repay the \$4,900,000 of bonds issued in June, 2007. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) As a requirement of the bond issue, ten percent of the \$4,900,000 bond proceeds are to be held in a restricted account as required by the Security and Source Payments section of the agreement.

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$642,153, \$529,550, and \$464,731, respectively, equal to the required contributions for each year.

### **(7) Termination Benefits**

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must complete an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2009 totaled \$90,148.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**(8) Risk Management**

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$602,958 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Related Party Transaction**

The District had business transactions totaling \$48,854 between the District and District officials during the year ended June 30, 2009.

**(11) Subsequent Event**

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

**DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT**

### **Required Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local sources	\$ 12,717,963	735,437
State sources	8,078,842	9,365
Federal sources	572,324	225,737
Total revenues	<u>21,369,129</u>	<u>970,539</u>
Expenditures:		
Instruction	11,045,165	-
Support services	5,122,415	-
Non-instructional programs	-	1,017,429
Other expenditures	5,023,333	-
Total expenditures	<u>21,190,913</u>	<u>1,017,429</u>
Excess (deficiency) of revenues over (under) expenditures	178,216	(46,890)
Balance beginning of year	<u>4,765,974</u>	<u>411,445</u>
Balance end of year	<u><u>\$ 4,944,190</u></u>	<u><u>364,555</u></u>

See accompanying independent auditor's report.



Total Actual	Budgeted Amounts		Final to Actual Variance-Favorable (Unfavorable)
	Original	Final	
13,453,400	11,510,125	11,510,125	1,943,275
8,088,207	9,969,246	9,969,246	(1,881,039)
798,061	461,674	461,674	336,387
22,339,668	21,941,045	21,941,045	398,623
11,045,165	10,890,099	11,490,099	444,934
5,122,415	6,456,173	5,706,173	583,758
1,017,429	913,910	1,038,910	21,481
5,023,333	5,247,518	5,647,518	624,185
22,208,342	23,507,700	23,882,700	1,674,358
131,326	(1,566,655)	(1,941,655)	2,072,981
5,177,419	6,104,761	6,104,761	(927,342)
5,308,745	4,538,106	4,163,106	1,145,639

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

## **Other Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue Funds		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 386,211	124,889	511,100
Receivables:			
Property tax:			
Current year delinquent	3,716	-	3,716
Succeeding year	370,000	-	370,000
Accounts	-	602	602
Due from other funds	100	-	100
<b>Total assets</b>	<b>\$ 760,027</b>	<b>125,491</b>	<b>885,518</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ -	9,363	9,363
Early retirement payable	84,445	-	84,445
Deferred revenue:			
Succeeding year property tax	370,000	-	370,000
Total liabilities	454,445	9,363	463,808
Fund balances:			
Unreserved, undesignated fund balance	305,582	116,128	421,710
<b>Total liabilities and fund balances</b>	<b>\$ 760,027</b>	<b>125,491</b>	<b>885,518</b>

See accompanying independent auditor's report.

## Schedule 2

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year ended June 30, 2009

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 349,901	-	349,901
Other	16	536,272	536,288
State sources	76	-	76
Total revenues	349,993	536,272	886,265
Expenditures:			
Current:			
Instruction:			
Regular	115,339	-	115,339
Other	-	548,671	548,671
Support Services:			
Operation and maintenance of plant	248,683	-	248,683
Transportation	21,815	-	21,815
Total expenditures	385,837	548,671	934,508
Deficiency of revenues under expenditures	(35,844)	(12,399)	(48,243)
Fund balance beginning of year	341,426	128,527	469,953
Fund balance end of year	\$ 305,582	116,128	421,710

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annals	\$ 2,518	4,864	4,902	-	2,480
Art Club	388	689	-	-	1,077
Athletics	5,875	32,710	28,132	(9,463)	990
Athletics Resale	2,237	37,142	34,192	(6,767)	(1,580)
HS/MS/Elem Band Resale	8,751	14,757	8,978	(10,249)	4,281
Baseball	-	2,345	6,254	3,909	-
Boosters	-	47,333	50,277	(3,376)	(6,320)
Boys/Girls Basketball	2,946	25,851	29,532	735	-
Camps and Clinics	-	2,600	-	-	2,600
Character Counts	194	224	-	-	418
Class of:					
2008	1,128	-	1,704	576	-
2009	1,442	122	1,611	47	-
2010	4,696	2,926	5,095	-	2,527
2011	2,420	2,757	1,000	-	4,177
2012	-	2,260	-	-	2,260
Co-ed Track	-	9,297	10,900	1,415	(188)
Cross Country	-	695	1,050	355	-
DC Presbyt Student Emerg Fund	3,073	5,444	296	-	8,221
Drama	3,544	-	943	-	2,601
Drill Team	319	-	-	-	319
Football	1,187	30,662	29,407	-	2,442
French Club	685	-	-	-	685
FFA	15,156	21,600	28,840	-	7,916
FHA	1,845	269	178	-	1,936
Girls Softball	-	7,629	11,090	3,461	-
Golf	-	367	1,055	688	-
HS Bakers	263	627	554	-	336
HS Enterprise	-	1,015	498	-	517
HS Student Council	6,793	3,229	4,735	-	5,287
HS Honor Society	85	707	94	-	698
HS Cheerleading	50	710	-	-	760
HS Dance Marathon	-	3,566	3,066	-	500
HS Juice/Pop Machine	945	6,666	4,218	-	3,393
HS Sign-Monument Fundraiser	10,784	7,561	29,535	12,000	810
HS Vocal Fundraiser	-	133,318	134,230	912	-
Horticulture Club	605	-	189	-	416
Interest	56	4,834	2,599	-	2,291
Mid Iowa Soccer	-	12,441	17,896	5,455	-
Musical	4,070	4,084	3,485	(429)	4,240
Mustang Statue Fundraiser	(5,489)	5,489	1,257	-	(1,257)
P.A.L.S.	34	-	-	-	34
Picture Fund	1,384	4,936	4,220	-	2,100
SADD	550	-	-	-	550
Spanish Club	6,638	-	-	-	6,638
Volleyball	-	4,273	7,578	3,305	-
Washington DC fundraiser	1,047	2,183	4,401	1,171	-
Wind Commissioning Project	1,000	-	-	-	1,000

## Schedule 3

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Wrestling	-	10,397	11,213	816	-
HS/MS/Elem Vocal Resale	145	21,943	16,842	-	5,246
Jr. High Annual	5,419	3,011	4,685	-	3,745
Jr. High Cheerleading	1,922	-	-	-	1,922
Jr. High Juice/Pop Machine	7,715	12,779	13,738	-	6,756
Jr. High Student Council	1,917	21,485	16,032	(1,171)	6,199
MS Athletics	4,022	3,979	1,735	(3,909)	2,357
MS Band Fundraiser	-	-	90	90	-
MS Musical	-	1,292	1,721	429	-
Northridge Fundraiser	3,000	428	146	-	3,282
Spec underwriters Equip repair	-	105	281	-	(176)
Elementary Fundraiser - Grimes	852	4,823	-	-	5,675
Elementary Fundraiser - D.C.	7,268	4,527	3,367	-	8,428
Elementary Juice Fund	8,971	2,141	3,897	-	7,215
Elementary Student Council	77	1,180	933	-	324
Total	\$ 128,527	536,272	548,671	-	116,128

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2009

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 67,750	-	10,760	78,510
Inventories	22,330	-	-	22,330
Total current assets	90,080	-	10,760	100,840
Non-current assets:				
Machinery and equipment	481,357	-	-	481,357
Accumulated depreciation	(199,217)	-	-	(199,217)
Total non-current assets	282,140	-	-	282,140
<b>Total assets</b>	372,220	-	10,760	382,980
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	18,325	-	-	18,325
Due to other funds	-	100	-	100
<b>Total current liabilities</b>	18,325	100	-	18,425
<b>Net assets</b>				
Invested in capital assets, net of related debt	282,140	-	-	282,140
Unrestricted	71,755	(100)	10,760	82,415
<b>Total net assets</b>	\$ 353,895	(100)	10,760	364,555

See accompanying independent auditor's report.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET ASSETS - PROPRIETARY FUNDS  
 Year ended June 30, 2009

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 714,594	-	-	714,594
Other operating revenue	8,462	-	10,716	19,178
Total operating revenues	723,056	-	10,716	733,772
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	100	927	1,027
Supplies	-	-	3,559	3,559
	-	100	4,486	4,586
Non-instructional programs:				
Food services operations:				
Salaries	40,639	-	-	40,639
Benefits	12,605	-	-	12,605
Services	643,065	-	-	643,065
Supplies	276,421	-	-	276,421
Depreciation	40,113	-	-	40,113
	1,012,843	-	-	1,012,843
Total operating expenses	1,012,843	100	4,486	1,017,429
Operating income (loss)	(289,787)	(100)	6,230	(283,657)
Non-operating revenue:				
Interest on investments	1,665	-	-	1,665
State lunch and breakfast program claims	9,365	-	-	9,365
National School Lunch Program	141,298	-	-	141,298
School Breakfast Program	18,029	-	-	18,029
Federal food commodities revenue	66,410	-	-	66,410
Total non-operating revenues	236,767	-	-	236,767
Net income (loss)	(53,020)	(100)	6,230	(46,890)
Net assets beginning of year	406,915	-	4,530	411,445
Net assets end of year	\$ 353,895	(100)	10,760	364,555

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2009

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 714,594	-	-	714,594
Cash received from miscellaneous operating activities	8,462	-	10,716	19,178
Cash payments to employees for services	(53,244)	-	-	(53,244)
Cash payments to suppliers for goods or services	(839,983)	(100)	(4,486)	(844,569)
Net cash provided (used) by financing activities	(170,171)	(100)	6,230	(164,041)
Cash flows from non-capital financing activities:				
State grants received	9,365	-	-	9,365
Federal grants received	159,327	-	-	159,327
Net cash provided by non-capital financing activities	168,692	-	-	168,692
Cash flows from capital and related financing activities:				
Interfund loan	-	100	-	100
Acquisition of capital assets	(27,625)	-	-	(27,625)
Net cash used by capital and related financing activities	(27,625)	100	-	(27,525)
Cash flows from investing activities:				
Interest on investments	1,665	-	-	1,665
Net increase in cash and cash equivalents	(27,439)	-	6,230	(21,209)
Cash and cash equivalents at beginning of year	95,189	-	4,530	99,719
Cash and cash equivalents at end of year	\$ 67,750	-	10,760	78,510
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (289,787)	(100)	6,230	(283,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	66,410	-	-	66,410
Depreciation	40,113	-	-	40,113
Increase in inventories	(5,220)	-	-	(5,220)
Increase in payables	18,313	-	-	18,313
Net cash provided (used) by operating activities	\$ (170,171)	(100)	6,230	(164,041)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash and investments	\$ 67,750	-	10,760	78,510
Cash and cash equivalents at year end	\$ 67,750	-	10,760	78,510

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$66,410.

See accompanying independent auditor's report.

## Schedule 7

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 7,103	67,300	65,048	9,355
<b>Total assets</b>	<b>\$ 7,103</b>	<b>67,300</b>	<b>65,048</b>	<b>9,355</b>
<b>Liabilities</b>				
Accounts payable	\$ 7,103	67,300	65,048	9,355
<b>Total liabilities</b>	<b>\$ 7,103</b>	<b>67,300</b>	<b>65,048</b>	<b>9,355</b>

See accompanying independent auditor's report.

## Schedule 8

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$ 10,619,714	9,825,186	9,082,518	8,307,448
Tuition	1,012,133	843,932	856,003	762,661
Other	1,086,116	1,020,355	1,291,850	749,178
Intermediate sources	-	-	-	-
State sources	8,078,842	7,211,170	6,619,458	6,250,822
Federal sources	572,324	305,557	286,065	183,603
Total	<u>\$ 21,369,129</u>	<u>19,206,200</u>	<u>18,135,894</u>	<u>16,253,712</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 7,088,478	6,290,307	5,628,941	5,164,281
Special instruction	2,553,384	2,043,222	2,007,372	2,283,500
Other instruction	1,403,303	1,118,647	1,134,497	520,020
Support services:				
Student services	280,913	308,091	313,631	262,652
Instructional staff services	625,916	728,554	641,692	607,481
Administration services	1,574,775	1,266,285	1,105,159	1,020,140
Operation and maintenance of plant services	1,906,595	1,711,100	1,701,335	1,540,756
Transportation services	734,216	908,382	684,799	677,594
Central support services	-	-	-	-
Other expenditures:				
Facilities acquisition	1,685,470	6,838,285	2,855,622	1,830,565
Long-term debt:				
Principal	1,703,506	1,761,407	3,419,786	1,475,000
Interest and other charges	1,031,399	1,092,893	1,171,975	1,053,011
AEA flowthrough	602,958	528,510	483,562	445,711
Total	<u>\$ 21,190,913</u>	<u>24,595,683</u>	<u>21,148,371</u>	<u>16,880,711</u>

See accompanying independent auditor's report.

## Schedule 8

Modified Accrual Basis			
2005	2004	2003	2002
7,758,249	7,252,099	6,885,291	5,639,466
551,096	495,100	391,003	314,990
853,784	588,265	763,894	1,239,438
9,160	4,994	3,703	12,781
5,759,194	5,491,763	5,412,384	5,528,870
190,888	188,262	136,033	91,365
15,122,371	14,020,483	13,592,308	12,826,910
4,836,598	4,703,605	4,400,590	4,525,336
1,726,074	1,431,814	1,415,187	1,162,614
833,671	732,951	722,347	803,495
274,129	295,459	287,944	276,579
596,483	504,541	517,441	488,846
996,449	888,813	912,383	872,157
1,448,043	1,313,900	1,180,972	914,528
705,590	525,324	397,907	379,505
-	6,484	17,002	-
4,100,500	5,399,710	2,516,067	6,942,125
1,090,000	925,000	950,000	900,000
1,115,523	1,165,404	815,501	865,061
412,728	405,946	419,009	409,628
18,135,788	18,298,951	14,552,350	18,539,874

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	18,029
National School Lunch Program	10.555	FY 09	207,708
			<u>225,737</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 09	59,166
ARRA - Title I Grants to Local Educational Agencies			
Recovery Act	84.389	FY 09	6,577
			<u>65,743</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	43,173
Improving Teacher Quality State Grants	84.367	FY 09	26,652
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY 09	140,506
Safe and Drug-Free Schools and			
Communities - State Grants	84.186	FY 09	3,348
Grants for State Assessments and Related Activities	84.369	FY 09	12,110
Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	84,552
ARRA - Special Education - Grants to States			
Recovery Act	84.391	FY 09	48,763
			<u>133,315</u>
Total			<u>\$ 650,584</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dallas Center-Grimes Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Dallas Center-Grimes Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Dallas Center-Grimes Community School District's financial statements that is more than inconsequential will not be prevented or detected by Dallas Center-Grimes Community School District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Dallas Center-Grimes Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Scheduling of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dallas Center-Grimes Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

September 30, 2009



Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Dallas Center-Grimes Community School District:

Compliance

We have audited the compliance of Dallas Center-Grimes Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Dallas Center-Grimes Community School District's management. Our responsibility is to express an opinion on Dallas Center-Grimes Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas Center-Grimes Community School District's compliance with those requirements.

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We noted no significant deficiency in internal control over compliance that we consider to be a material weakness.

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

September 30, 2009

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (f) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 84.394 - ARRA – State Fiscal Stabilization Fund Education State Grants, Recovery Act
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Dallas Center-Grimes Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

No matters were noted.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

### **Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-09      Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the certified budget amounts as amended.
- IV-B-09      Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09      Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Sinclair, Brother to Superintendent, Sinclair Painting	Painting Services	\$45,023
Lakes Printing, Parents of Elementary principal Ann Bass	Printing Services	1,727
Mike Glasgow, Spouse of Board Member Angela Glasgow	Services	2,104

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-09      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-09      Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

- IV-H-09     Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- IV-I-09     Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09     Deficit Balances – Five student activity accounts had deficit balances at June 30, 2009.
- Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.
- Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.
- Conclusion - Response accepted.
- IV-K-09     Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-09     Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			1,697,533
Expenditures/transfers out:			
School infrastructure:			
Facilities acquisition and construction	\$	1,075,077	
Support services:			
Instructional staff services		622,456	1,697,533
			<u>          </u>
		\$	-